

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SCI-06 SCEM-02 INT-08 SPC-03 AID-20

EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 COME-00 TAR-02 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01 USIA-15 DRC-01

IO-14 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 /203 W

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R 182207Z DEC 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2160

UNCLAS SECTION 1 OF 2 CARACAS 10813/1

E.O. 11652: N/A

TAGS: ENRG ETRD EMIN VE

SUBJECT: OIL SUPPLY AND USING OIL AS LEVERAGE

SUMMARY. VENEZUELA WILL USE ITS LEVERAGE AS OIL SUPPLIER: TO DEAL WITH "EXTREMELY SERIOUS" SHORTAGES OF RAW MATERIALS; TO FORCE LOWERING OF TARIFF BARRIERS; AND TO OBTAIN NEEDED TECHNOLOGY AT JUST PRICES, SAYS PRESIDENT ELECT CARLOS ANDRES PEREZ. INCREASES IN OIL PRODUCTION ARE ONLY POSSIBLE, HE SAYS, IF CLEAR UNDERSTANDINGS ARE REACHED WITH DEVELOPED COUNTRIES AS TO ADVANTAGES VENEZUELA IS TO RECEIVE. THESE TOUGH STATEMENTS MADE BY VENEZUELA'S PRESIDENT-ELECT IN A RECENT TELEVISION INTERVIEW, WERE TEMPERED SOMEWHAT, AS INDICATORS OF HIS GENERAL APPROACH TO IMPORTANT PETROLEUM POLICY MATTERS, BY HIS REMARKS DURING SAME INTERVIEWS REGARDING NEED FOR INTERNATIONAL COOPERATION, RECOGNITION THAT NO NATION CAN GO IT ALONE, AND VENEZUELA'S SPECIFIC NEED FOR FOREIGN TECHNOLOGY AND CAPITAL TO DEVELOP ORINOCO PETROLEUM BELT. END SUMMARY.

1. PRESIDENT ELECT CARLOS ANDRES PEREZ FURTHER DEFINED HIS THINKING ON PETROLEUM POLICY IN A TELEVISION INTERVIEW DECEMBER 12, TEXT OF WHICH HAS NOW BECOME AVAILABLE. IN THIS INTERVIEW, PEREZ UNCLASSIFIED

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DISCUSSED FURTHER HIS IDEA OF USING PETROLEUM AS AN INSTRUMENT

OF VENEZUELA'S INTERNATIONAL ECONOMIC POLICY, DESCRIBED FURTHER HIS THOUGHTS ON APPROPRIATE LEVELS OF OIL PRODUCTION, AND DISCUSSED DEVELOPMENT OF ORINOCO PETROLEUM BELT. FOLLOWING PARAGRAPHS CONTAIN RELEVANT QUOTATIONS FROM TEXT OF INTERVIEW.

2. RE USING OIL AS POLICY INSTRUMENT-- "I AM VERY MUCH PRE-OCCUPIED BY SITUATION VENEZUELA IS PASSING THROUGH AND WHICH IS GOING TO WORSEN IN COMING WEEKS AND MONTHS WITH REGARD TO SUPPLY OF RAW MATERIALS--RAW MATERIALS REQUIRED BY OUR INDUSTRY. THERE ARE EXTREMELY SERIOUS CASES AND I DON'T WANT TO MENTION THEM NOW NOR DO I WANT POPULATION TO BECOME ALARMED, BUT RATHER TO GIVE ITS COOPERATION TO CURRENT GOVERNMENT, ABSOLUTE, TOTAL COOPERATION... WITH REGARD TO MY GOVERNMENT, THEY ASKED IF I PROPOSE TO USE PETROLEUM AS AN IMPORTANT DEMOCRATIC ARM IN INTERNATIONAL POLITICS. IT IS ABSURD THAT WE ARE WASTING THIS IMPORTANT INFLUENCE, THIS GREAT PREPONDERANCE IN THE WORLD THAT OUR PETROLEUM GIVES US BECAUSE, TOGETHER WITH BROTHER COUNTRIES IN LATIN AMERICA, WE CAN GAIN RECOGNITION FOR A SERIES OF OUR RIGHTS. IN THIS SENSE, WE MUST PROPOSE PRIORITIES: FOR DELIVERY OF RAW MATERIALS IN RETURN FOR OUR PARTICIPATION IN INTERNATIONAL COMMERCE, FOR LOWERING TARIFF BARRIERS THAT ARE IMPEDING THIS PARTICIPATION; AND TO OBTAIN JUST PRICES FOR TECHNOLOGY OUR COUNTRY REQUIRES. THESE ARE THREE FUNDAMENTAL ASPECTS OF THIS MATTER WHICH I WILL PROPOSE IN INTERNATIONAL POLITICS."

3. RE PETROLEUM PRODUCTION LEVELS-- "DURING ELECTORAL CAMPAING, I HAVE BEEN, I THINK, CANDIDATE WHO HAS SET WITH GREATEST PRECISION HIS PETROLEUM POLICY AND AT NOTIME DURING CAMPAIGN DID I ALLOW PRESSURES OF CAMPAIGN TO FORCE ME INTO COMPETITION WITH ANY CANDIDATE ON PETROLEUM MATTERS BUT, I HAVE SAID WITH TOTAL CLARITY: FIRST, POLICY OF CONCESSIONS IS TOTALLY FINISHED IN THE WORLD AS MEANS OF DELIVERING NATURAL RESOURCES SOURCE TO MULTI-NATIONAL ENTERPRISES OR TO OTHER COUNTRISES. THAT IS FINAL. SECOND, VENEZUELA WILL BEGIN TO TAKE ITS OWN DECISIONS TO MANAGE ITS PETROLEUM INDUSTRY. THIRD, PETROLEUM IS NOT ONLY WASTED AND SOLD AT LOW PRICES BUT ALSO WHEN MORE IS EXTRACTED THAN VENEZUELA CAN USE TO FURTHER ITS DEVELOPMENT. THUS, WITHIN YOUR QUESTION IS THE CONSERVATIONIST'S THESIS WE HAVE ALWAYS MAINTAINED FOURTH, DEVELOPED COUNTRIES CANNOT REQUIRE FFROM US MORE COOPERATION THAN THEY HAVE GIVEN US.

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UNCLAS FINAL SECTION OF 2 CARACAS 10813/2

E.O. 11652: N/A

TAGS: ENRG ETRD EMIN VE

SUBJECT: OIL SUPPLY AND USING OIL AS LEVERAGE

FINALLY, WE HAVE COMPLAINED OF ECONOMIC TOTALITARIANISM WHICH HAS IMPEDED OUR LEGITIMATE DEVELOPMENT. THUS, IN ORDER FOR VENEZUELAN PETROLEUM TO FLOW IN GREATER QUANTITIES THAN THOSE WE MAINTAIN AT PRESENT THERE WILL HAVE TO BE CLEAR UNDERSTANDINGS OF ADVANTAGES WHICH WE ARE GOING TO RECEIVE FROM DEVELOPED CONTRIES".

4. RE DEVELOPMENT OF ORINOCO PETROLEUM BELT--"THE MOST PRUDENT OF MY COMPANIONS, AND EVEN SOME WHO ARE AUDACIOUS, HAVE SAID TO ME, 'CARLOS ANDRES, IT IS CLEAR THAT YOU ARE COMPLETELY FRANK AND WANT TO APPEAR AT ALL TIMES AS A MAN WHO DOES NOT HIDE HIS CARDS UP HIS SLEEVE BUT IT SEEMS TO US DANGEROUS THAT IN THE FACE OF EXTREME ASSERTIONS ON OIL BEING MADE BY OTHER CANDIDATES YOU ARE GIVING EXPLANATIONS, THAT NO-ONE HAS ASKED YOU FOR, ON NEED FOR INTERNATIONAL COOPERATION.' AND I ANSWERED THEM WITH ALL CLARITY: PETROLEUM IS TOTALLY AND DEFINITELY VENEZUELA. WE ARE GOING TO MANAGE IN A SOVEREIGN FASHION ALL OF OUR OIL, THAT WHICH IS AT THIS MOMENT IN THE HANDS OF CONCESSIONAIRES AND THAT WE ARE GOING TO EXPLOIT IN THE FUTURE IN ORINOCO PETROLEUM BELT. BUT THIS

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BELT WILL ONLY ENTER INTO EXPLOITATION WHEN IT IS INTERESTING OR REQUIRED FOR OUR NATIONAL INTERESTS. SECOND, IN ORDER TO EXPLOIT

THIS BELT WE NEED, INEXORABLY, FOREIGN TECHNOLOGY AND FOREIGN CAPITAL, BUT NOT TYPE OF FOREIGN TECHNOLOGY THAT COMES TO IMPOSE ITS CONDITIONS UPON US AND SAYS TO US, "HERE WE ARE WITH CAPITAL TO UNDERTAKE THE OPERATIONS." RATHER WE NEED FOREIGN TECHNOLOGY BECAUSE WE DON'T HAVE IT, NOR CAN WE HAVE IT NOW WHEN WE NEED IT. IN THE PAST, FOREIGN TECHNOLOGY HAS SAID TO US, "/WE WILL COME IF YOU GIVE US THE CONTRACT AND CONTROL OF OPERATIONS," BECAUSE THEY HAD THE ADVANTAGE. TODAY THEY NO LONGER HAVE IT. TODAY THEY COME ON OUR REQUEST, CONTRACTED BY US, AND BECAUSE WE WANT THEM. SECOND, WE DO NOT HAVE SUFFICIENT CAPITAL. TODAY WE NEED CAPITAL. BUT NOT UNDER CONDITIONS UNDER WHICH CAPITAL COMES TO CONTROL OUR PETROLEUM BUT RATHER OTHER TYPES OF UNDERSTANDINGS AND DEALS THAT WE CAN MAKE. THE DIFFERENCE IS THAT PETROLEUM INDUSTRY IS GOING TO BE TOTALLY AND ABSOLUTELY VENEZUELA, NO COUNTRY IS GOING TO CONSIDER IMPROPER THESE UNIVERSAL, WORLDWIDE REQUIREMENTS. THERE IS NO AUTONOMOUS COUNTRY, NOT EVEN IN TECHNOLOGY, NOT EVEN USA, WHICH OCCUPIES THE SUMMIT IN THIS MATTER, CAN BE FREE OF WHAT IS HAPPENING IN OTHER COUNTRIES. THUS, WITH INTELLIGENT INTERNATIONAL COOPERATION, A JUST AND LEGITIMATE MOVEMENT, WHICH VENEZUELAN NATIONALISM MUST BE, NEED NOT BE EITHER SEPARATIST OR ISOLATIONIST.

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